



# Statement of BRE Bank on Application of Corporate Governance Principles

Warsaw, March 2, 2012

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This statement on application of corporate governance principles was prepared pursuant to Article 91.5(4) of the Regulation of the Minister of Finance dated February 19, 2009 on current and periodic information published by issuers of securities and on the conditions under which such information may be recognised as being equivalent to information required by the regulations of law of a state which is not a member state (Journal of Laws No. 33/2009, item 259).

Information contained in the Statement meets the requirements of the report on application of the "Code of Best Practice for Warsaw Stock Exchange Listed Companies" set forth in Article 1 of Resolution No. 1013/2007 of the Management Board of the Warsaw Stock Exchange of December 11, 2007. In connection with the foregoing, under Article 2 of Resolution No. 718/2009 of the Management Board of the Warsaw Stock Exchange (WSE) of December 16, 2009, providing the WSE with this statement is equivalent to providing the WSE with the report referred to in Article 29.5 of the Warsaw Stock Exchange Rules.

## **I. Corporate Governance Principles Binding on BRE Bank**

Since its initial public offering, BRE Bank has made every effort to ensure that all the shareholders have access to information on the company and that their rights are respected regardless of the size of their shareholding. The aspiration to ensure full transparency of operations and to act in compliance with business etiquette has been reflected in the application of best practice of listed companies, starting from the "Code of Best Practice for Public Companies 2002". Both, the Management Board and the Supervisory Board of BRE Bank, adopted resolutions expressing their intention to apply the recommendations and principles contained in the "Code of Best Practice" and undertook to report on their breach.

The set of corporate governance principles, which are now binding for BRE Bank, is contained in the document "Code of Best Practice for WSE Listed Companies", appended to Resolution No. 20/1287/2011 of the Supervisory Board of the Warsaw Stock Exchange dated October 19, 2011.

In August and October 2011, the "Code of Best Practice for WSE Listed Companies" was amended by the WSE in the following areas:

- introduction of a recommendation to publish information on the principles of a public company's activity in the area of supporting cultural expression, educational, scientific or sport activities
- introduction of a recommendation obliging public companies to comment on their websites on publicly available untrue or outdated information which could affect the pricing of the company's financial instruments, such information being misleading to the public, as it distorts the true picture of the company's situation
- postponement to 1 January 2013 of the entry into force of the principle concerning general meetings held by listed companies using the electronic means of communication (however, it is recommended that this principle be applied as of January 1, 2012)
- deletion of the provisions obliging supervisory boards to make, present and publish the annual assessment of their activity
- adding a new item to the catalogue of information published on the website of a listed company, i.e. information on the gender composition of the management board and the supervisory board of the company in the last two years.

The text of the "Code of Best Practice for WSE Listed Companies" is available on the website of the Warsaw Stock Exchange (<http://corp-gov.gpw.pl/>), and a link to this site is also available on BRE Bank's website (<http://www.brebank.pl>).

In its internal statutory documents, the Bank has integrated the regulations concerning the corporate governance principles, in particular those relating to the rules of operation of the General Meeting and the Supervisory Board (and its standing committees) as well as the rights of the shareholders and the Supervisory Board.

Irrespective of the “Code of Best Practice for WSE Listed Companies”, already in 1995, BRE Bank undertook to voluntarily abide by best industry practices, that is the Good Banking Practice Principles, developed by the Polish Bank Association (the original name - Code of Best Banking Practice). The Good Banking Practice Principles are a set of rules relating to the operation of banks and apply to banks, bank employees, persons acting as intermediaries in banking activities of banks. In accordance with the Order of the President of the Management Board, BRE Bank applies the Good Banking Practice Principles, set forth in Appendix 1 to Resolution No. 11 of the 21<sup>st</sup> General Meeting of the Polish Bank Association of April 22, 2010. The document is available on the website of the Polish Bank Association ([http://zbp.pl/prawo\\_bankowe](http://zbp.pl/prawo_bankowe)).

## II. Application of Corporate Governance Principles

In 2011, BRE Bank has been applying all the corporate governance principles established in the document “Code of Best practice for WSE Listed Companies” (chapter II, III and IV).

The following points of the Recommendations require an additional commentary.

- Point 5 of the Recommendations regarding remuneration policy. In accordance with the recommendation, BRE Bank has a remuneration policy which determines the form, structure, and the level of remuneration, including the remuneration of members of the supervisory and management bodies of the Company. The remuneration system is transparent and it ensures a linkage between the remuneration of senior managers and the financial results of the Company and the performance of remunerated persons. The remuneration system integrates a range of principles derived from Commission Recommendation of December 14, 2004, fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) supplemented by Commission Recommendation of April 30, 2009 (2009/385/EC). These principles include among others: determination of fixed and variable components of remuneration of the Management Board, a linkage of the variable components of remuneration with pre-defined performance criteria, detailed regulations concerning the option scheme, and specification of the total remuneration and its components of individual Members of the Management Board and the Supervisory Board in the notes to the annual financial statements.
- However, the Commission Recommendations were not used as a model for the remuneration system of the Bank and not all their provisions are applied. The remuneration policy is not regularly a separate item on the agenda of every General Meeting and is not put to a vote. The Bank has not disclosed or published on its website a “remuneration statement”. However, it should be noted that in different publicly available documents the Bank discloses a range of information, which would constitute a substantive part of such a statement. The rules and the level of remuneration of Members of the Management Board of BRE Bank are determined by the Executive Committee of the Supervisory Board, which performs the function of the Remuneration Committee within the meaning of the European Union recommendation. The amount of monthly remuneration paid to Members of the Supervisory Board of BRE Bank was approved in a resolution of the General Meeting of BRE Bank. More details on the remuneration of Members of Supervisory and Management bodies of the Bank are presented further in this Statement.
- Point 9 of the Recommendations which calls for ensuring a balanced proportion of women and men in management and supervisory functions in companies. Both the General Meeting which appoints the Supervisory Board, and the Supervisory Board which appoints the Management Board are guided by the principle that the persons sitting on the company's bodies should display the highest competence, be creative, adequately educated and experienced. Other factors, such as gender, are not a determinant in this respect.
- Point 12 of the Recommendations concerning the possibility to participate in the annual meeting with the use of electronic means of communication. For many years, BRE Bank has been broadcasting its annual meetings in real time. However, neither the By-laws of the Company or the Standing Rules of the Annual Meeting provide for real-time bilateral communication with

shareholders located outside the meeting place, and for execution of voting rights with the use of electronic communication. BRE Bank's primary goal is to ensure that the Annual Meeting proceeds smoothly and that the risk of any potential attempt to challenge the adopted resolutions due to technical errors is minimized. At the same time, the Bank takes into account the existing conditions, in particular the geographic diversification of the Bank's shareholders, their number, potential time delays in communication and the need to ensure the adequate security and confidentiality of the voting process.

BRE Bank attaches a lot of weight to open, transparent and effective information policy. On a regular basis, the representatives of the Management Board and the Investor Relations team participate in meetings with investors, both in Poland and abroad.

The website operated by the Company has become an important communication platform. In the investor relations section ([www.brebank.pl/relacje\\_inwestorskie](http://www.brebank.pl/relacje_inwestorskie)) the Bank publishes information on the shareholders of BRE Bank, Annual Meetings, ratings, quotations of the Bank's shares on the WSE, analysts' recommendations, consensus of the Group's forecasted performance, and the target share price. All those interested may review annual statements, periodic and current reports, presentations on the Company's strategy and performance, as well as spreadsheets containing business and financial data. Additionally, the information is accompanied by webcasts of meetings with analysts at which the financial results of BRE Bank Group are presented, and by recordings of the Annual Meetings (see chapter VI.4.).

The website also has a section dedicated to corporate governance and best practice, which includes among others the By-laws and rules of the Bank's bodies, statements on application of corporate governance principles, principles of remunerating the Management Board and the Supervisory Board and information on incentive programmes. A separate section is dedicated to the Bank's activities in the corporate social responsibility area.

### **III. Internal Control and Risk Management Systems with regard to the process of preparing Financial Statements of the Bank**

The process of preparing of financial statements is covered by the Bank's internal control system, which contributes to full reliability and accuracy of financial reports.

The internal control system includes the following:

- functional internal control
- institutional internal control.

Functional internal control is a system applicable to each organisational unit of BRE Bank. Each organisational unit of the Bank performs internal control tasks under the supervision of the head of the organisational unit. The functional internal control system is subject to regular assessment and monitoring through institutional internal control.

Institutional internal control is exercised by the Internal Audit Department (DAW). DAW operates based on the Banking Law, BRE Bank's internal regulations, International Standards for the Professional Practice of Internal Auditing, and best business practices in this respect.

The Internal Audit Department is under the administration of the President of the Management Board of the Bank and reports to the President of the Management Board and to the Audit Committee of the Supervisory Board of the Bank. The principle of operational independence of internal audit is respected since auditors are not involved in operational activity.

The process of preparing financial data for reporting needs is automated and based on the General Ledger of the Bank. Preparation of data in source systems is subject to formalised operational and acceptance procedures. Creating the General Ledger of the Bank takes place within a process covering respective internal controls. Manual adjustments are subject to special controls.

The process of monitoring the operational risk which occurs in the preparation of financial statements in the Bank includes mechanisms which effectively ensure the security of IT systems. The Bank has in place a business continuity plan which covers also the IT systems used in the process of preparing financial statements.

The process of organising the examination of the Bank's financial statements is laid down in the Bank's internal legislation. The Bank's financial statements are prepared by the Accounting Department, which reports directly to the Managing Director of Accounting and Controlling and to the Chief Financial Officer.

Substantive and organisational supervision over the course of examining financial statements is exercised by the Director of the Accounting Department. The prepared financial statements are submitted to the Management Board for verification. The Audit Committee receives information on the quarterly financial statements and on profit and loss before they are published. After in-depth discussion with the Bank's external auditor and the Management Board of the Bank, the Audit Committee recommends the Supervisory Board to approve or reject the annual financial statements.

The annual and semi-annual financial statements of the Bank are subject to an independent audit and a review by a statutory auditor, respectively. Moreover, the Bank and the external auditor introduced cooperation procedures under which all the important issues related with recognition of economic events in the books and financial statements are being consulted on an ongoing basis.

The Bank manages the risk of the process of preparation of financial statements also by ongoing monitoring of changes in requirements under external legislation and regulations concerning reporting obligations of banks, and by preparing for their implementation well in advance.

All the subsidiaries of BRE Bank Group consolidated for the purpose of financial statements are obliged to apply uniform accounting policies with respect to recognition of measurement and disclosures in accordance with the International Accounting Standards. The Accounting Department monitors the reporting packages prepared by the subsidiaries in terms of their correctness, completeness, coherence and continuity of data. The control functions with respect to the Group subsidiaries are performed by representatives of BRE Bank sitting on the Supervisory Boards of the subsidiaries.

The aspiration to ensure the highest standards of financial statements is reflected in the high quality of reporting. The financial statements of BRE Bank Group have been appreciated not only by shareholders and analysts, but also by independent industry institutions.

The annual consolidated financial statements of BRE Bank Group for 2010 ranked first in "The Best of the Best" category of the annual contest organised by the Institute of Accounting and Taxes. This has been yet another award won by BRE Bank Group in this contest. In the five editions which have taken place so far, BRE Bank won the first prize in the financial institutions category for its financial statements for 2006, 2007 and 2009. In 2008, the Bank came second in this category.

#### **IV. Significant Blocks of Shares**

Commerzbank AG has for many years been the majority shareholder of BRE Bank. The share of Commerzbank has been increasing from 21% in 1995, to 50% in 2000 and 72.16% in 2003. Starting from 2005, the share has been declining slightly due to the implementation of the managerial options programme in BRE Bank.

As at the end of 2011, Commerzbank held 69.72% of shares and votes at the General Meeting through its 100% subsidiary Commerzbank Auslandsbanken Holding AG. 30.28% of shares in free float are held by institutional investors (in particular Polish pension funds, and Polish and foreign investment funds) and individual investors. In 2011, ING Otwarty Fundusz Emerytalny exceeded the 5% threshold of shares and votes at the General Meeting, which obligated it to announce the shares purchase (stock exchange report dated July 8, 2011).

Significant blocks of shares				
Shareholder	Total number of shares		Total number of votes	
	42,102,746		42,102,746	
Commerzbank Auslandsbanken Holding AG	29,352,897	69.72%	29,352,897	69.72%
ING Otwarty Fundusz Emerytalny	2,290,882	5.44%	2,290,882	5.44%

The strategic shareholder of BRE Bank, Commerzbank AG, is a leading bank for private and corporate customers in Germany. With the segments Private Customers, Mittelstandsbank, Corporates & Markets, Central & Eastern Europe as well as Asset Based Finance, the Bank offers its customers an attractive product portfolio, and is a strong partner for the export-oriented SME sector in Germany and worldwide. With a total of some 1,200 branches, Commerzbank has one of the densest networks of branches among German private banks. It has around 60 sites in more than 50 countries and serves more than 14 million private clients as well as 1 million business and corporate clients worldwide.

For more information about Commerzbank, see chapter VI.1 of the Report of the Management Board on operations of BRE Bank Group.

## V. Special Control Rights

Pursuant to the By-laws of BRE Bank, all the existing shares are ordinary bearer shares. In no way are the shares differentiated in terms of the rights carried by them. There are no preferred shares; each share represents one vote at the General Meeting. The control rights of Commerzbank AG as the parent entity of Commerzbank Auslandsbanken Holding AG are a result of the number of shares held and their percentage share in the equity and the number of votes at the General Meeting of BRE Bank, which translates into consolidated supervision exercised over BRE Bank as a subsidiary of Commerzbank.

## VI. Limitations on the Exercise of the Voting Right

The By-laws of BRE Bank do not impose any limitations on the exercise of the voting right. There are no provisions which would separate equity rights attached to securities from the holding of securities.

## VII. Limitations on the Transfer of the Property Right to Securities of the Issuer

The BRE Bank By-laws do not impose any limitations on the transfer of the property right to securities issued by the Bank.

## VIII. Principles of Appointing and Dismissing Management Board Members

Pursuant to the By-laws of BRE Bank, the Management Board is composed of at least three members appointed for a joint term of 5 years. At least half of the Members of the Management Board, including the President of the Management Board, must hold the Polish citizenship.

The President of the Management Board, the Vice-Presidents of the Management Board and the other Members of the Management Board are appointed and dismissed by the Supervisory Board, acting pursuant to the provisions of the Banking Law and considering relevant qualifications for the assigned functions. The Polish Financial Supervision Authority (KNF) approves two Members of the Management Board of the Bank: the President of the Management Board and the member responsible for developing and implementing the Bank's credit policy and risk management. In accordance with the

Code of Commercial Partnerships and Companies, a Member of the Management Board may also be dismissed or suspended by the General Meeting.

The mandate of a Member of the Management Board expires at the latest on the day of the General Meeting that approves the financial statements for the last full financial year of the term of that Management Board Member. The mandate of a Member of the Management Board also expires if the member dies, resigns from his position or is recalled. The mandate of a Member of the Management Board appointed before the end of the term expires on the expiration of mandates of the other Members of the Management Board.

## **IX. Amendments to the Company's By-Laws**

Amendments to the By-Laws of BRE Bank require adoption of a resolution by the General Meeting of BRE Bank and registration of the adopted amendment in the National Court Register. Before the General Meeting of BRE Bank is presented with a draft resolution concerning amendment to the By-Laws, the Management Board of BRE Bank adopts a resolution on the proposed amendment by approving the draft resolution of the General Meeting, and then the draft is presented to the Supervisory Board of BRE Bank for approval. Under the Code of Commercial Partnerships and Companies, the resolution on amendments to the By-Laws is passed by a majority of 75% of votes.

In accordance with Article 34.2 of the Banking Law of 29 August 1997, any amendment of the Bank's By-laws requires the authorisation of the Polish Financial Supervision Authority where such amendment relates to:

- the Bank's registered business name
- the Bank's registered office, objects and scope of activity
- the bodies and their competences, including particularly the competences of the Members of the Management Board appointed with the approval of the Polish Financial Supervision Authority and the decision-making principles, the basic organisational structure of the Bank, the procedures applicable to making legally binding statements regarding property rights and obligations, the procedures for issuing internal regulations and the procedure for making decisions on assuming obligations or disposing of assets whose total value with regard to a single entity exceeds 5% of the Bank's own funds
- the principles of functioning of the internal control system
- the own funds and the financial management principles; and
- shares preferred or limited as to voting rights.

The latest amendments to the Bank's By-laws were introduced by resolution of the 24<sup>th</sup> General Meeting held on March 30, 2011. In the article concerning banking activities the nature of brokerage operations pursued by the Bank was specified more precisely. Moreover, the banking activities have been supplemented by the operations pursued based on Article 70(2) of the Act on trading in financial instruments, which consist in receiving and transmitting instructions to purchase or sell financial instruments, purchasing or selling financial instruments on own account, investment advisory, offering financial instruments, and providing services having financial instruments as their subject matter.

## **X. General Meeting Procedures and Authority, Shareholder Rights and Exercise Procedures**

### **X.1. General Meeting Procedures**

The General Meeting is convened and prepared pursuant to the provisions of the Code of Commercial Partnerships and Companies, the Bank's By-laws, and the Standing Rules of the General Meeting. Both the By-laws and the Standing Rules of the General Meeting are available on BRE Bank's website.

The General Meeting (GM) convened by the Management Board by way of an ordinary procedure is held once a year, no later than in June. The Supervisory Board may convene an Ordinary General Meeting if the Management Board fails to convene it within the time limits set out in the By-laws and an Extraordinary General Meeting if the Supervisory Board considers it necessary. In addition, under specific circumstances, the shareholders have the right to convene a General Meeting or to request that a General Meeting be convened.

Shareholders may participate in the General Meeting and cast their votes either in person or by proxies. One proxy may represent more than one shareholder.

Subject to the cases defined in the Code of Commercial Partnerships and Companies, the General Meeting is valid regardless of the number of shares represented at the General Meeting.

All matters submitted to the General Meeting are previously submitted to the Supervisory Board for consideration.

Subject to specific exceptions, resolutions of the General Meeting are passed in an open ballot by a simple majority of votes, unless the Code of Commercial Partnerships and Companies or the BRE Bank By-laws impose a stricter requirement for the passing of resolutions on specific issues. A secret ballot is required in the case of elections and motions for dismissal of members of the authorities of the Bank or liquidators, motions to bring members of the authorities of the Bank or liquidators to justice, and in personnel issues. In addition, a secret ballot is required if requested by at least one shareholder present or represented at the General Meeting.

Voting takes place with the use of a computer system which also counts the votes. The correct course of voting is supervised by the three-member Returning Committee elected from among the candidates put forward by the Chairman of the Meeting.

The By-laws and Standing Rules of the General Meeting do not provide for the possibility to vote by mail or with the use of electronic means of communication.

The Bank's Supervisory Board is elected in a secret ballot by the General Meeting. The shareholders propose candidates for Members of the Supervisory Board to the Chairman of the General Meeting, orally or in writing. The right to propose candidates concerns also Members of the existing Supervisory Board. Prior to the election to the Supervisory Board, the General Meeting determines the number of Members of the Supervisory Board of the given term within the limits specified in the By-laws.

## **X.2. Fundamental Authority of the General Meeting**

The following matters require a resolution of the General Meeting in addition to other matters set out in the Code of Commercial Partnerships and Companies:

- examination and approval of the report of the Management Board on the Bank's operations and financial statements for the past financial year
- adoption of resolutions on the distribution of profit or coverage of losses
- vote of discharge of duties for members of the Bank's authorities
- election and dismissal of Members of the Supervisory Board
- amendment of the By-laws
- increase or reduction of the Bank's share capital
- adoption of resolutions concerning the cancellation of shares and resolutions on cancellation of shares, in particular on setting the policy of share cancellation not regulated in the By-laws
- creation and winding up of special purpose funds
- issue of convertible bonds or preferred bonds

- establishment of the principles of remunerating Members of the Supervisory Board
- liquidation of the Bank or its merger with another bank
- appointment of liquidators
- matters submitted by the Supervisory Board
- matters submitted by shareholders in accordance with the By-laws
- election of an entity qualified to audit financial statements as statutory auditor of the Bank.

### X.3. Shareholder Rights

The Company's shares are bearer shares and can be sold. The shareholders have the right to participate in the profit reported in the audited financial statements and allocated by the General Meeting to be paid to the shareholders.

The shareholders representing at least one-half of the share capital or at least one-half of the total number of votes in the Company may convene an extraordinary general meeting. The shareholders appoint the chairman of such meeting. The shareholder(s) representing at least one-twentieth of the share capital may request that the Management Board convene an extraordinary general meeting and that specific items be put on the agenda for such meeting.

Only persons who are shareholders of the Bank sixteen days before the date of the General Meeting ("record day") have the right to participate in the General Meeting of the Bank as a public company. The shareholder(s) of the Bank representing at least one-twentieth of the share capital may request that specific items be put on the agenda for the Ordinary General Meeting. The request should be submitted to the Management Board of the Bank no later than twenty-one days prior to the date of the Ordinary General Meeting.

In accordance with the Code of Commercial Partnerships and Companies, documents to be presented to a General Meeting, including draft resolutions, are published on the website of the Bank as of the date of calling the General Meeting.

The shareholders can participate in the General Meeting and cast their votes either in person or by proxies.

A shareholder has the right to:

- vote, propose motions and raise objections
- justify his or her position briefly
- stand for election for Chairman of the General Meeting and propose a candidate for Chairman of the General Meeting to be noted in the minutes
- take the floor during the proceedings and make a reply
- table draft resolutions concerning the items put on the agenda
- propose amendments and additions to draft resolutions on the agenda for the General Meeting before the discussion of the item covering the draft resolution concerned by the proposal is closed
- propose formal motions relating to the proceedings and the voting procedure
- propose candidates for the Bank's Supervisory Board in writing to the Chairman of the General Meeting or orally to the minutes
- review the book of minutes and request a copy of resolutions authenticated by the Management Board

- take legal action to have a resolution of the General Meeting annulled where the shareholder voted against a resolution of the General Meeting and after its adoption raised an objection to the minutes or the shareholder was unreasonably prevented from participating in the General Meeting or the shareholder was not present at the General Meeting as a result of it being convened incorrectly or the adopted resolution not being on the agenda
- take legal action against the Company to have a resolution of the General Meeting annulled where the resolution is in breach of law.

The Management Board is obliged to provide the shareholder, at the shareholder's request, with information concerning the Company if this is justified by the assessment of an issue on the agenda. The Management Board should refuse information if:

- this could damage the Company or its associated company or subsidiary, in particular due to disclosure of technical, trade or organisational secret of the Company
- this could expose a Member of the Management Board to criminal, civil or administrative liability.

In justified cases, the Management Board may provide information in writing no later than two weeks after the General Meeting is adjourned.

The Bank places great emphasis on equal treatment of shareholders. On matters related with the General Meeting, in particular with granting a power of attorney in electronic form, notifying the Bank about granting a power of attorney in electronic form, requesting that specific items be put on the agenda of the General Meeting, the shareholders may contact the Management Board of the Bank by sending an e-mail to the address given in the Notice of General Meeting.

The General Meetings take place on the Bank's premises in Warsaw and are broadcast on-line. The General Meetings may be attended by the representatives of the media. The recordings of the General Meetings are available on the official website of BRE Bank.

#### **X.4. General Meeting in 2011**

The 24th General Meeting was held on 30 March 2011. The Meeting was attended by shareholders or their proxies representing in total 83.39% of shares in the Company's share capital. The following resolutions were adopted:

- resolution on approving the reports of the Management Board of BRE Bank and BRE Bank Group, and the financial statements of the Bank and the Group for 2010
- resolution on distribution of the 2010 profit
- resolution on vote of discharge of duties for Members of the Management Board of BRE Bank
- resolution on approving the appointment of a Member of the Supervisory Board under the procedure laid down in Article 19(3) of the By-laws of BRE Bank, which allows the Bank to appoint a new Member of the Supervisory Board during the year due to resignation of another member
- resolution on vote of discharge of duties for Members of the Supervisory Board of the Bank
- resolution on amending the By-laws of BRE Bank (specified in section IX)
- resolutions on determining the number of Members of the Supervisory Board of BRE Bank SA
- resolution on electing Members of the Supervisory Board of BRE Bank for a joint 3-year term
- resolution on selecting the auditor to review the financial statements of BRE Bank and BRE Bank Group for 2011 (PricewaterhouseCoopers Sp. z o.o.).

The resolutions adopted by the 24th General Meeting and the detailed voting results are available on [http://www.brebank.com.pl/relacje\\_inwestorskie](http://www.brebank.com.pl/relacje_inwestorskie), in the section dedicated to General Meetings.

## XI. Composition of and Changes in the Management Board and the Supervisory Board of the Bank and their Procedures

### XI.1 Composition of the Management Board

The Management Board is composed of at least three members appointed for a joint term of 5 years. The Members of the Management Board manage selected areas of the Bank's operation within the scope determined by the President of the Management Board. Resolutions of the Management Board specify in detail the division of powers and the procedures of replacement in the case of absence or holiday of the Management Board Members.

The current composition of the Management Board of BRE Bank is as follows:

Member/function	Professional experience
<p>Cezary Stypułkowski</p> <p>President of the Management Board, CEO</p>	<p>Born in 1956, Cezary Stypułkowski holds a PhD in law from the University of Warsaw. He studied at Columbia University Business School in New York as a member of the Fulbright Program in 1988-1989. In 1980s, he worked in government administration, among others as secretary to the Economic Reform Committee of the Council of Ministers and, in 1987, as advisor to the Prime Minister. From February 1991, he chaired the Management Board of Bank Handlowy S.A. for more than twelve years. He acted as President of the Management Board of PZU Group from June 2003 to June 2006. In December 2006, Mr. Stypułkowski was appointed Managing Director of J.P. Morgan Investment Bank responsible for Central and Eastern Europe. Cezary Stypułkowski was also a member of the Deutsche Bank International Advisory Board, INSEAD International Advisory Board, Institute of International Finance in Washington and Geneva Association.</p> <p>Appointed President of the Management Board of BRE Bank on August 2, 2010, acting President of the Management Board of the Bank as of October 1, 2010, approved as a President of the Management Board by the Polish Financial Supervision Authority on October 27, 2010.</p>
<p>Karin Katerbau</p> <p>Vice-President of the Management Board, Chief Financial Officer</p>	<p>Born in 1963, graduate of Reutlingen University of Applied Science and Groupe ESC in Reims (France) in 1989, holder of French and German diploma in economics and business management. Started her professional career in 1990 in Societe Generale - Elsaessische Bank &amp; Co in Frankfurt. In 1994, she joined the Commerzbank Group. In 2001-2008, Ms. Katerbau worked for comdirect bank AG, where from 2004 she held the position of Management Board Member, Chief Financial Officer responsible, among others, for finance and controlling. Since March 2008, Chief Operating Officer of the Group Segment Private &amp; Business Customers at Commerzbank AG, Frankfurt.</p> <p>Member of the Management Board of BRE Bank since September 5, 2008, Vice-President of the Management Board since October 1, 2009.</p>
<p>Wiesław Thor</p> <p>Vice-President of the Management Board, Chief Risk Officer</p>	<p>Born in 1958, graduate of the Central School of Planning and Statistics (currently Warsaw School of Economics), training program "Train the Trainer" organised by KPMG and the South Carolina Business School, and summer school of banking at McIntire University Business School. Employed with BRE Bank since 1990 on the following positions: specialist, division head, deputy director of the Warsaw branch, director of the Credit Department, and Chief Risk Officer since May 2000. As of August 1, 2002, Managing</p>

	<p>Director at Bank Handlowy in Warsaw.</p> <p>On 2 November 2002, Mr. Thor was appointed Member of the Management Board of BRE Bank, Chief Risk Officer. Vice-President of the Management Board of BRE Bank since March 15, 2008.</p>
<p>Przemysław Gdański</p> <p>Member of the Management Board, Head of Corporate Banking</p>	<p>Born in 1967, graduated from the University of Gdańsk (major: International Trade) and completed a one-year programme in international banking and finance at Loughborough University in the UK.</p> <p>In 1993 - 1995, worked for IBP Bank S.A., for ABN AMRO Bank (Poland) and in 1998 he was seconded to ABN AMRO Bank (Romania) in Bucharest. From 2001 he worked at the headquarters of ABN AMRO in Amsterdam and was responsible for global clients' portfolio within the Global Commodity Finance Department.</p> <p>In 2002- 2006, Managing Director of Large Corporates Division in BPH Bank. From May to November 2006, Chief Executive Officer and General Director of Calyon Bank Polska and Calyon SA Branch in Poland. In November 2006, he took the position of Vice-President of the Management Board in Bank BPH, responsible for corporate banking and real estate financing.</p> <p>As a result of the merger of part of BPH Bank and Pekao S.A. - Vice-President of the Board, responsible for Corporate Banking, Markets and Investment Banking in Division of Pekao SA.</p> <p>Member of the Management Board of BRE Bank since November 19, 2008.</p>
<p>Hans Dieter-Kemler</p> <p>Member of the Management Board, Head of Investment Banking</p>	<p>Born in 1968, graduated from the Westphalian Wilhelm University of Münster in 1996. In 1991-1992, worked in Bond Trading Department at Dresdner Bank. In 1996-1998, employed with Sal. Oppenheim jr &amp; Cie. KGaA, Financial Markets Department, Frankfurt. In 1998-2005, Head of the Corporate Risk Advisory in the Head Office of Commerzbank. Since 2005, member of the senior management of Commerzbank responsible for international public finance. He also acted as a managing director at Erste Europäische Pfandbrief-Kommunalkreditbank AG in Luxemburg.</p> <p>Member of the Management Board of BRE Bank since July 10, 2009.</p>
<p>Jarosław Mastalerz</p> <p>Member of the Management Board, Head of Retail Banking</p>	<p>Born in 1972. In 1996, graduated from the Faculty of Economics and Foreign Trade at University of Łódź. In 1996-1998, worked in the Audit Department of PricewaterhouseCoopers. In 1998-2003, Marketing Director and then Financial Director in Zurich Group. After the take-over of the Polish Zurich operations by Generali in 2003, Financial Director (also responsible for bank assurance) at Generali TU and Generali TUnŻ. Since 2006, Mr. Mastalerz has been working for BRE Bank Group. Co-author of the insurance project BRE Ubezpieczenia. President of the Management Board of BRE Ubezpieczenia and BRE Ubezpieczenia TUiR.</p> <p>Member of the Management Board of BRE Bank since August 1, 2007.</p>
<p>Christian Rhino</p> <p>Member of the Management Board, Head of Operations and IT</p>	<p>Born in 1969, graduate of Berlin Technical University. In banking since 1998 when he started working for Deutsche Bank AG, first as e-commerce coordinator, then as director of the eBusiness Department, finally as Vice President of Corporate Banking. Since 2001 employed with Commerzbank, where he held the position of Global Head Trade Finance &amp; Transaction Services and Managing</p>

	<p>Director in Corporate Banking.</p> <p>Member of the Management Board of BRE Bank since March 15, 2008.</p>
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In 2011, the composition of the Management Board of BRE Bank remained unchanged. In December 2011, Ms Karin Katerbau, Vice-President of the Management Board, announced her intention to resign from the position at BRE Bank in the first half of 2012. Following her departure from BRE Bank, Ms Karin Katerbau will become a Member of the Management Board of Oldenburgische Landesbank. In January 2012, Christian Rhino, the Board Member responsible for Operations and IT, announced the termination of his employment in BRE Bank by the end of March. Starting from April, he will take a position as Managing Director in Commerzbank AG.

The term of the current Management Board expires on the day of the General Meeting in 2013.

## XI.2. Authority and principles of operation of the Management Board

The Members of the Management Board are jointly liable for the overall operation of the Bank. They work collegially and inform each other about the most important matters concerning the Bank for which particular Members of the Management Board are responsible. The Management Board may appoint standing committees or teams to perform specific functions or to co-ordinate the work of organisational units of the Bank or to perform specific tasks.

The following committees led by Members of the Management Board operate at BRE Bank:

- Resource Management Committee (Chairperson: Cezary Stypułkowski)
- Capital Management Committee (Chairperson: Karin Katerbau)
- Assets and Liabilities Management Committee (ALCO) of BRE Bank Group (Chairperson: Hans-Dieter Kemler)
- Risk Committee of BRE Bank (Chairperson: Wiesław Thor)
- Credit Committee of the Management Board of BRE Bank (Chairperson: Wiesław Thor)
- Credit Policy Committee of Retail Banking (Chairperson: Wiesław Thor)
- Committee on Data Quality Management for the purposes of the Bank's regulatory requirements calculation /AIRB/ (Chairperson: Wiesław Thor)
- IT Architecture Committee (Chairperson: Christian Rhino)
- IT Projects Committee at BRE Bank SA (Chairperson: Christian Rhino).

The Management Board manages the Bank's business, represents the Bank and defines the guidelines for the Bank's operation, especially for the areas subject to risks, including the credit policy, the investment policy, the Bank's assets and liabilities management policy, and the guarantee policy. The Management Board presents to the Supervisory Board comprehensive information on all significant aspects of the Bank's operations and risks related to its operations as well as risk management methods, on a regular basis.

The Management Board operates pursuant to its Rules approved by the Supervisory Board (available on the Bank's website). The Rules determine among others the issues which require consideration of the Management Board as a collegial body and adoption of a resolution of the Management Board.

All resolutions are adopted by a majority of votes of the Management Board Members present at the meeting, and in the case of an equal number of opposing votes, the President of the Management Board has the casting vote. The Members of the Management Board strive to adopt resolutions by consensus.

Pursuant to best practice principle, the Rules of the Management Board stipulate that a Member of the Management Board should abstain from participating in decision-making on such matters where a conflict of interest arises or may potentially arise between the Bank and the Member of the Management Board, his or her spouse or relatives.

The Executive Committee of the Supervisory Board determines the rules and levels of remuneration of Members of the Management Board.

The rules of the incentive programme for the Management Board and rules on awarding bonuses to Members of the Management Board have been adopted by resolutions of the Supervisory Board.

Total remuneration of Management Board Members includes a fixed and a variable part. The fixed part includes basic remuneration of which amount is set for each Member of the Management Board. The second component is the annual cash bonus for the previous financial year. The final third component is the bonus in shares of BRE Bank and cash equivalent of Commerzbank shares which serves as a long-term incentive.

Both the annual cash bonus and the value of shares and cash equivalent of Commerzbank shares granted to each Member of the Management Board are determined by the following three factors:

- net return on equity (ROE) of BRE Bank Group or of the supervised area,
- total budget performance or budget performance in the supervised area,
- individual assessment of the Management Board Member made by the Supervisory Board.

Total remuneration of the Management Board for the last two years is presented below:

Year (in PLN thousand)	Basic remuneration	Other profits	Cash bonus	Cash settlement of the incentive programme based on Commerzbank shares	Total
2010 - Members of the Management Board who performed their function on December 31, 2010	8,295.2	928.7	1,167.3	907.0	11,298.2
2010 - former Members of the Management Board	1,179.4	4,525.0	225.0	263.3	6,192.7
<b>Total 2010</b>	<b>9,474.6</b>	<b>5,453.7</b>	<b>1,392.3</b>	<b>1,170.3</b>	<b>17,490.9</b>
2011 - Members of the Management Board who performed their function on December 31, 2011	9,886.7	1,198.0	6,977.8	934.0	18,996.5
2011 - former Members of the Management Board	0	0.1	1,098.1	462.7	1,560.9
<b>Total 2011</b>	<b>9,886.7</b>	<b>1,198.1</b>	<b>8,075.9</b>	<b>1,396.7</b>	<b>20,557.4</b>

Information on remuneration received by particular Management Board Members divided into the fixed and variable part is presented in item 43 of the explanatory notes to the Financial Statements of BRE Bank SA Group for 2011 in accordance with the International Financial Reporting Standards. The

description of the share-based incentive programme for the Management Board is presented in note 39 to the Financial Statements.

### XI.3. Composition of the Supervisory Board - changes in 2011

The Supervisory Board acts on the basis of adopted Rules and performs the functions provided for in the By-laws of BRE Bank, the Code of Commercial Partnerships and Companies, and the Banking Law Act. The By-laws of BRE Bank provide that the Supervisory Board consists of no less than five Members elected by the General Meeting for a joint term of three years. The number of the Supervisory Board Members is defined by the General Meeting. A Member of the Supervisory Board whose mandate expired in the course of the joint term of the Supervisory Board may be replaced with another person, elected by the Supervisory Board.

At least half of all Supervisory Board Members, including the Chairman, must hold Polish citizenship. Pursuant to the statutory requirement, at least two Supervisory Board Members are independent, unless the General Meeting decides otherwise. Independence criteria of the Supervisory Board Members are stipulated in the Rules of the Supervisory Board.

The General Meeting of Shareholders held on March 30, 2011 appointed the following Members of the Supervisory Board for a three-year term: Maciej Leśny - Chairman of the Supervisory Board, Achim Kassow - Deputy Chairman of the Supervisory Board, Andre Carls, Thorsten Kanzler, Sascha Klaus, Teresa Mokrysz, Waldemar Stawski, Eric Strutz, Jan Szomburg and Marek Wierzbowski. Thorsten Kanzler and Eric Strutz have been appointed Members of the Supervisory Board of BRE Bank for the first time. They replaced Stefan Schmittmann and Martin Zielke, Members of the Supervisory Board in the previous term.

After the General Meeting, there was one change in the composition of the Supervisory Board in 2011. Dr. Achim Kassow resigned from his position as Member of the Supervisory Board of the Bank as of 12 July 2011. On July 13, 2011, the Supervisory Board appointed Ulrich Sieber until the end of the present term. At the same time, Mr. Sieber was entrusted the function of Deputy Chairman of the Supervisory Board.

Furthermore, on February 13, 2012, BRE Bank received the resignation of Dr. Eric Strutz from his position as Member of the Supervisory Board with effect on March 30, 2012. Composition of the Supervisory Board is presented below:

Member/function	Professional experience
Maciej Leśny Chairman of the Supervisory Board	Born in 1946. In 1969, graduated from the Faculty of Economy of the Warsaw University. During his professional career, Mr. Leśny worked for 6 years in the shipbuilding industry in Gdańsk and 8 years for Zakłady Elektronicznej Techniki Obliczeniowej. For more than 22 years he had worked in the central state administration, including 8 years in the position of Undersecretary of State: in the Ministry of Foreign Economic Cooperation; the Ministry of Economy; the Ministry of Economy, Labour and Social Policy; and finally in the Ministry of Infrastructure. Completed post-graduate studies and training at US universities: the Michigan University (Business School of Administration) and De Paul University (Chicago). In 1992-1993, as a scholarship holder of the US government, Mr. Leśny studied at the American University in Washington, DC. During his scholarship he served a four-month internship at the World Bank and completed a privatization training course in the International Monetary Fund. From March 1994 to 1998, Chairman of the Supervisory Board of BRE Bank. By December 2001, Member of the Supervisory Board. In 2004, Mr. Leśny was re-elected Chairman of the Supervisory Board.

<p>Ulrich Sieber</p> <p>Deputy Chairman of the Supervisory Board</p>	<p>Born in 1965. Graduate of the Banking Academy (Bankakademie) in Frankfurt am Main. In 1983-1991, employed with Bayerische Vereinsbank AG. Afterwards, Mr. Sieber worked for Credit Suisse Deutschland AG in Frankfurt am Main, at first as credit officer, then as Head of HR Development Department. In 1996-2001, employed with JP Morgan GmbH Deutschland in Frankfurt am Main, at first as Chief Administration Officer and then as Chief Operating Officer in Investment Banking. In 2001-2005, director at Dresdner Bank AG. In early 2006, Mr. Sieber took the executive position of Commerzbank's HR department. Since June 2009, Member of the Management Board of Commerzbank AG.</p>
<p>Andre Carls</p> <p>Member of the Supervisory Board</p>	<p>Born in 1963. Graduate of the University of Cologne, PhD in economics. Employee of Commerzbank since 1990. In 1998-2000, played a key role in developing the investment banking division of Commerzbank in London. From 2000 to 2008, acted as Member of the Management Board of comdirect bank AG, from November 2004 to March 2008 - as CEO. From March to September 2008, Chief Financial Officer and Vice-President of the Management Board of BRE Bank. Since March 2008, CEO of Commerzbank Auslandsbanken Holding AG, Frankfurt, and CEO of Central &amp; Eastern Europe-Holding of Commerzbank AG.</p>
<p>Thorsten Kanzler</p> <p>Member of the Supervisory Board</p>	<p>Born in 1964. Studied microeconomics and mechanical engineering at the University of Technology in Darmstadt (Germany), where he obtained the Diplom-Wirtschaftsingenieur (M.Sc. Eng.). From 1991 to 2004, employed at Deutsche Bank AG on various positions in the treasury and risk management area in Frankfurt, New York, Sydney and London. Between 2004 and 2007, Director for Treasury of the Group and Board Member for Corporate &amp; Investment Banking in WestLB AG in Düsseldorf. Since May 2007, Head of Group Treasury &amp; Capital Management at Dresdner Bank AG in Frankfurt am Main. Since the beginning of 2009, Divisional Board Member for Group Treasury at Commerzbank AG. Mr. Kanzler is responsible for assets and liabilities management, cash funds and repo transactions management and capital market financing.</p>
<p>Sascha Klaus</p> <p>Member of the Supervisory Board</p>	<p>Born in 1970. Graduated from the Frankfurt School of Finance and Management. In 1992-1999, employed at Deutsche Bank AG on various positions in the financial institutions, corporate finance and investment banking risk areas. From January 2000 to April 2008, held managerial positions at Dresdner Kleinwort in New York, in particular Managing Director for Investment Banking Risk Management (from February 2003). In May 2008, took up a similar position at Dresdner Bank AG, Frankfurt/ London. Since 2009, Mr. Klaus had been responsible for Investment Banking Risk Management at Commerzbank AG. Since March 2010, Member of the Management Board of Commerzbank Auslandsbanken Holding AG responsible for risk management in Central and Eastern Europe.</p>
<p>Teresa Mokrysz</p> <p>Member of the Supervisory Board</p>	<p>Born in 1952. Graduated from the University of Economics in Katowice in 1978. Co-owner of MOKATE. In 1992-1994, launched cappuccino coffee as a new product on the Polish market and acquired a 70% market share and a leading position in this product category. In 1994-1995, built a greenfield MOKATE plant in Ustroń, and in 2001 another one in Żory. The investments allowed Ms. Mokrysz to introduce her company on the market for half-finished products. At present, leading a group of nine MOKATE companies, five of which are based abroad.</p> <p>Winner of the "Leader of the Decade" title given by Gazeta Wyborcza daily, and the "Success of the Decade" title given by the Businessman Magazine. In 2000, the International Foundation for Women's</p>

	Entrepreneurial Spirit from Los Angeles awarded Ms. Mokrysz the title of "the most entrepreneurial woman of the world". Founder of scholarships for talented and impoverished youth, provides financial support to health care institutions, nursing homes, orphanages and schools.
Waldemar Stawski Member of the Supervisory Board	Born in 1958. Graduate of the Gdańsk Technical University and post-graduate studies in financial analysis, accounting and finance. In 1983-1991, member of the teaching staff of the Maritime University of Gdynia. From 1991, employee of Pomorski Bank Kredytowy, from 1993 - Director of the Branch in Gdynia. In 1995-2000, Director of the Regional Branch of PKO BP in Gdańsk. In 2000, Mr. Stawski was appointed Vice-President of the Management Board of PKO BP SA responsible for managing the treasury, corporate clients, capital market and corporate governance areas. From June 2002 to February 2003, Chairman of the Team of Receivers for Wschodni Bank Cukrownictwa SA. Then, Member of the Management Board of CTL Logistics SA and General Director of the Polish Association of Transport and Logistics Employers. At present, associate to Doradztwo Ekonomiczne Dariusz Zarzecki as Director. Holder of the Accounting Certificate issued by the Minister of Finance, authorising him to provide bookkeeping services.
Eric Strutz Member of the Supervisory Board	Born in 1964. Studied business administration at the University of Erlangen- Nuremberg and the University of St. Gallen. In 1989, obtained his "lic. oec. HSG"; in 1991, awarded the MBA degree from the University of Chicago; in 1993, obtained a PhD degree at the University of St. Gallen. In 1993, joined The Boston Consulting Group where he became Vice-President, Director and Partner in 2000. A year later, Mr Strutz joined Commerzbank AG as Executive Vice President for Strategy and Controlling. In June 2003, appointed Chief Financial Officer, while in April 2004, Member of the Management Board of Commerzbank AG.
Jan Szomburg Member of the Supervisory Board	Born in 1951. Graduate of the University of Gdańsk, PhD in economics. Previously worked as an assistant and then as a lecturer at the University of Gdańsk. Founder and the President of the Management Board of the Gdańsk Institute for Market Economics. In 1990s, Chairman of the Supervisory Board of Polski Bank Rozwoju and Bank Gdański, advisor to the ownership transformation minister, member of the Prime Minister's Ownership Transformation Council. Economic advisor to the prime minister, chairman of the Prime Minister's Ownership Transformation Council.
Marek Wierzbowski Member of the Supervisory Board	Born in 1946. Full professor of the University of Warsaw, legal counsel, partner to the law office "Prof. Marek Wierzbowski i Partnerzy - Adwokaci i Radcowie Prawni", member of the Public Procurement Council, president of the Court of the Chamber of Brokerage Houses, vice-chairman of the Stock Exchange Board. Mr. Wierzbowski was a vice dean of the Law and Administration Faculty, and deputy vice chancellor of the University of Warsaw. For many years he was a partner in international law firms: Weil Gotshal & Manges, and then Linklaters. Mr. Wierzbowski represents entrepreneurs in proceedings before administrative bodies, and before administrative and arbitration courts. Professor Wierzbowski has been leading legal teams servicing numerous transactions, in particular the sale of shares of privatized large enterprises. Creator of brokerage houses, representative of the Securities and Exchanges Commission and the Commission for Banking Supervision in proceedings before the Supreme Administrative Court. Acted as advisor to the Ownership Transformation Minister, Treasury Minister, and President of the Power Industry Regulatory Office, and as vice-president of the Arbitrage Court at the Polish Chamber of Commerce

	in Warsaw.
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The composition of the Supervisory Board reflects the care exercised to achieve the greatest possible diversification of members both in terms of their professional experience as well as their knowledge and skills. The Supervisory Board is composed of representatives of BRE Bank's main shareholder, specialists of science and business, and persons having vast legal knowledge and banking expertise.

Independent Members of the Supervisory Board of BRE Bank are: Maciej Leśny, Teresa Mokrysz, Waldemar Stawski and Marek Wierzbowski. Jan Szomburg does not meet the independence criterion, as he has been acting as Supervisory Board Member for more than 12 years. Dependent Members, having relations with the dominant shareholder of BRE Bank, are: Andre Carls, Thorsten Kanzler, Sascha Klaus, Ulrich Sieber and Eric Strutz.

The term of the Supervisory Board expires on the day of the General Meeting in 2014.

#### **XI.4 Authority and principles of operation of the Supervisory Board**

The powers of the Supervisory Board involve in particular:

- providing the Management Board with advice and exercising supervision over the Management Board in developing guidelines for the Bank's operation which is risk bearing, including its credit, investment, guarantee policies, as well as compliance policy, and approving proposals of the Management Board concerning the Bank's basic organisational structure
- exercising supervision over compliance of the Bank's regulations with regard to risk taking with the strategy and the financial plan of the Bank
- approving the rules of information policy adopted by the Management Board, regarding risk management and capital adequacy
- approving strategies and procedures developed by the Management Board regarding the internal control system, the risk management system, the internal capital assessment process, capital management and capital planning
- assessing the adequacy and effectiveness of the risk management system
- examining all regular reports and exhaustive information received from the Management Board on all important aspects relating to the Bank's operation, the risk related to its operation, and the manner and effectiveness of risk management
- drawing up a concise assessment of the Bank's situation in order to submit it to the Ordinary General Meeting and append it to the annual report of the Bank for the previous financial year,
- approving the Bank's annual financial plans, multi-year development plans, as well as a strategy of the Bank's operation and the rules of prudent and stable management of the Bank
- reviewing any motions and matters subject to resolutions of the General Meeting, including draft resolutions of the General Meeting; drawing up justifications for draft resolutions to be submitted for approval of the General Meeting
- issuing or approving the rules provided for in the Bank's By-laws
- appointing and dismissing the President, the Vice-Presidents and other Members of the Management Board in accordance with the Banking Law, taking into consideration relevant qualifications for performing the functions assigned to them
- defining terms and conditions of contracts and setting remuneration for the Management Board
- authorising the Chairman of the Supervisory Board to represent the Bank in agreements with Members of the Management Board, and also when signing management contracts with Members of the Management Board
- approving conclusion of or amendments to any significant agreement or arrangement with Members of the Management Board or the Supervisory Board
- approving conclusion of, amendments to or termination of any significant affiliation agreements or co-operation agreements
- analysing the reports from the director of the Internal Audit Department, received at least once a year.

Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board on his or her own initiative, or on request of the Management Board, or on request of a Supervisory Board Member, no less frequently than three times a year. All the Management Board Members participate in meetings of the Supervisory Board except for those agenda items which directly concern the Management Board or its Members.

Resolutions of the Supervisory Board are adopted by a simple majority of votes cast. In the case of an equal number of opposing votes, the Chairman of the Supervisory Board has the casting vote. No resolution should be passed without the consent of the majority of independent Members of the Supervisory Board on the following matters:

- any benefits provided by the Bank or any entities associated with the Bank to the benefit of Members of the Management Board
- consent for the Bank to enter in a significant agreement with an entity associated with the Bank, a Member of the Supervisory Board or the Management Board, and entities associated with them.

The Supervisory Board has 3 Committees: the Executive Committee, the Risk Committee, and the Audit Committee.

The tasks of the Executive Committee involve, in particular, exercising regular supervision of the Bank's operation in the periods between meetings of the Supervisory Board. The Executive Committee authorises the Management Board to acquire, encumber or dispose of real estate, perpetual leasehold, or interests in real estate, shares or equity interests in companies, and other fixed assets if the value of the transaction exceeds 1% of the Bank's own funds, handles matters related with the principles and levels of remuneration of Members of the Management Board, monitors the level and structure of remuneration of the Members of the Management Board, and issues opinions on granting Members of the Management Board approval for engaging in competitive activity.

The Executive Committee is composed of Maciej Leśny as Chairman and Members: Andre Carls, Jan Szomburg and Ulrich Sieber, who replaced Achim Kassow in July 2011.

The Audit Committee issues opinions about the selection of the Bank's statutory auditor by the General Meeting, recommends that the Supervisory Board approve or reject financial statements, exercises regular supervision over the internal control system at the Bank, and approves changes proposed by the Management Board of the Bank as regards the head of the Internal Audit Department.

The Audit Committee must be composed of at least one independent Supervisory Board Member with qualifications and experience in accounting and finance.

The Audit Committee is composed of: Eric Strutz as Chairman, and Andre Carls, Maciej Leśny and Teresa Mokrysz as Members.

The Risk Committee has among others the following tasks: exercising permanent supervision over credit risk, market risk and operational risk. Moreover, the Risk Committee issues recommendations on approval or rejection of the transactions, provided for in the Banking Law, between the Bank and members of the Bank's authorities, and recommendations on approval or rejection of the Bank's information policy regarding risk management.

The Risk Committee is composed of: Sascha Klaus as Chairman, and Thorsten Kanzler, Maciej Leśny and Waldemar Stawski as Members.

All standing committees acting within the Supervisory Board make reports pertaining to their performance in the past reporting period available to shareholders. The aforesaid reports are appended to the set of materials for the Ordinary General Meeting.

The amount of monthly remuneration of the Members of the Supervisory Board was set in Resolution No. 27 adopted by the 17<sup>th</sup> General Meeting of BRE Bank held on April 21, 2004.

Additional monthly remuneration is granted for participation in standing committees: 50% of monthly basic remuneration for the first committee and 25% for participating in every other committee. Total remuneration for the participation in committees cannot exceed 75% of the basic remuneration.

Total remuneration of the Supervisory Board paid in 2011 amounted to PLN 2,057.9 thousand, up by PLN 202.3 M YoY.

Detailed information about the remuneration amounts paid to individual Members of the Supervisory Board is included in explanatory note no. 43 to the Financial Statements of BRE Bank SA Group for 2011 in accordance with the International Financial Reporting Standards.

#### **XI.5. Operations of the Supervisory Board and its Commissions in 2011**

In 2011, the Supervisory Board, including especially the Executive Committee, co-operated closely and on a regular basis with the Management Board in order to develop the Mid-term Business Plan for BRE Bank Group for 2012-2015 and the strategic directions for the future business development of BRE Bank Group.

In 2011, the Supervisory Board held 6 meetings and adopted 51 resolutions. The resolutions concerned among others:

- adoption of the financial statements of BRE Bank and BRE Bank Group and of other materials for the Ordinary General Meeting
- adoption of the financial plan for 2012
- adoption of the Mid-term Plan for 2012-2015
- personnel issues
- adoption of amendments to the Rules of the Supervisory Board
- adoption of the new text of the By-laws of BRE Bank
- allocation of funds to BRE Bank's Foundation
- adoption of the report on compliance risk management
- adoption of the Compliance Policy
- adoption of the new rules and scope of operation of the Risk Committee of the Supervisory Board
- adoption of the Internal Audit Plan for 2011
- adoption of the Capital Management Policy
- adoption of the Internal Capital Adequacy Assessment Process (ICAAP) in BRE Bank Group
- implementation of the Employee Programme and the Incentive Programme for Management Board Members
- adoption of the Capital Investments Policy Principles
- adoption of the assessment of the Internal Control and Risk Management System in 2010
- approval for changing the procedure for supervising credit risk by the Risk Committee of the Supervisory Board concerning banks, credit institutions and international financial institutions
- adoption of the Operational Risk Management Strategy and Policy
- adoption of the Report of the Outsourcing Coordinator on Implementation of the Outsourcing Policy in 2010
- adoption of amendments to the Rules of Internal Control

- approval of the Liquidity Risk Management Strategy
- approval of the Market Risk Management Strategy
- approval of the Credit Risk Management Strategy
- approval of the Annual report on supervising the processes of handling claims and complaints in 2010.

Furthermore, current results of BRE Bank Group and its particular business areas were discussed and evaluated with reference to the financial plan in a systematic, regular manner at the meetings of the Supervisory Board.

The Supervisory Board of the Bank operated in an effective manner. The Supervisory Board passed all the resolutions and decisions unanimously.

Attendance of the Supervisory Board Members at the meetings and participation in the Committees in 2011:

Member	Attendance*	Executive Committee	Risk Committee	Audit Committee
Andre Carls	6/6	X	X (until March 30, 2011)	X
Achim Kassow (until July 12, 2011)	3/4	X (until July 12, 2011)		
Thorsten Kanzler (from March 30, 2011)	4/4		X (from March 30, 2011)	
Sascha Klaus	6/6	X (until March 30, 2011)	X	
Maciej Leśny	6/6	X	X	X
Teresa Mokrysz	6/6			X (from March 30, 2011)
Stefan Schmittmann (until March 30, 2011)	2/2			
Ulrich Sieber (from July 13, 2011)	2/2	X (from July 13, 2011)		
Waldemar Stawski	5/6		X	
Eric Strutz (from March 30, 2011)	3/4			X (from March 30, 2011)
Jan Szomburg	5/6	X		X (until March 30, 2011)
Marek Wierzbowski	6/6			
Martin Zielke (until March 30, 2011)	1/2			X (until March 30, 2011)

\* Attendance at meetings / number of meetings during the mandate.

In performing its function of ongoing supervision of the Bank's operation in the periods between meetings of the Supervisory Board, the Executive Committee co-operated closely with the Management Board and was informed about the situation in the Bank on an ongoing basis in 2011. Members of the Committee held regular meetings with Members of the Management Board. The Executive Committee considered, among others, bonuses for Members of the Management Board and approved membership of the Management Board Members in authorities of other companies.

The Audit Committee has been regularly informed about the results and the financial standing of the Bank and BRE Bank Group. In exercising supervision of internal audit, the Committee has been receiving and analysing information on actions taken in the key risk areas.

The Committee held four meetings in 2011 and discussed, among others, the following:

- compliance of the Process of Preparing Financial Statements with the law and applicable regulations
- conclusions from the Audit of the Annual Financial Statements of BRE Bank Group for 2010,
- assessment of the Internal Control and Risk Management System at BRE Bank in 2010 made by the Internal Audit Department
- current and future amendments to the IFRS
- co-operation with the Auditor PricewaterhouseCoopers
- independent Assessment of the Internal Audit Function at BRE Bank made by PricewaterhouseCoopers
- summary of the Audit of the Financial Statements for H1 2011
- scope of the Audit of the Financial Statements for 2011.

The Audit Committee recommended that the Supervisory Board approve the following:

- Reports of the Management Board on operations of BRE Bank and BRE Bank Group in 2010, and Financial Statements for 2010
- Annual Report on compliance Risk Management at BRE Bank in 2010
- Report of the Outsourcing Coordinator in respect to Implementation of the Outsourcing Policy at BRE Bank in 2010
- Audit Plans of the Internal Audit Department for 2011
- Approval of Amendments to the Internal Control Rules at BRE Bank.

Moreover, the Audit Committee issued a positive opinion on the appointment of the statutory auditor and recommended changes on the position of Director and Deputy Director of the Internal Audit Department.

In 2011, the Risk Committee paid much attention to the introduction at BRE of statistical methods for calculating credit risk regulatory capital requirements (the AIRB approach, Basel II).

At its meetings, the Risk Committee discussed the quarterly risk reports and a range of issues related with the credit portfolio. Other major issues considered by the Committee included the largest exposures, development of risk parameters and of loan loss provisions at the Bank and in the Group.